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SIPDIS

NEA/MAG (PATTERSON/HAYES)
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: DECL: 03/03/2019
TAGS: PGOV PREL IR TS
SUBJECT: GOT ENGAGES IRAN, BUT CAUTIOUSLY

REF: 08 TUNIS 596

Classified By: Ambassador Robert F. Godec for reasons 1.4 (b) and (d)

¶1. (SBU) From March 3-9, the Iran-Tunisia Joint Economic Commission held its 10th meeting to discuss potential joint economic and commercial initiatives. The Tunisian Trade and Handicrafts Minister Ridha Touiti attended the meeting in Tehran. The meeting resulted in signed memoranda of understanding (MOU) regarding transportation, petro-chemicals, energy, investment, and customs. To date, Iran and Tunisia have signed over 30 MOU's relating to increased trade and investment. The Tunisian delegation included fifteen government officials who visited economic and industrial sites in various Iranian provinces. Press reports estimate bilateral trade between Iran and Tunisia was worth US \$220 million in 2008, up from US \$47 million in 2002.

¶2. (C) In the view of one local Arab Ambassador, the GOT's agreements with Iran reflect its desire to diversify its economic partners and reduce its dependence on Europe. The GOT has recently been reaching out commercially to countries across the world. The GOT expects overall GDP growth in Tunisia to slow in 2009 as a result of the economic crisis. High level GOT officials have repeatedly stated that promoting economic growth is a priority and is essential to reduce high levels of unemployment. The official unemployment rate is 14 percent, but it is widely believed to be higher in regions outside of Tunis (sometimes approaching 50 percent) and among university graduates. Increases in the prices of staple foods and unemployment lead to large-scale demonstrations in Tunisia's southwestern mining regions in early 2008, thus the GOT diligently monitors the cost of living and job creation efforts. Both tourism and manufacturing are expected to experience a slowdown as the economic crisis hits Tunisia's main trading partners in Europe.

¶3. (C) Comment: The GOT is unlikely to match its efforts in the economic realm with Iran on the social and political fronts. It maintains strict controls on political and religious messages in Tunisia, and promotes religious tolerance and women's rights as bulwarks against religious extremism and instability. Although Tunisia may benefit from increased trade, Iran's social and political rhetoric are at direct odds with the moderate image the GOT promotes. The Tunisians will only pursue greater economic ties to the extent they do not affect internal political stability nor their policy of maintaining friendly relations with Western and Arab countries. End Comment.

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